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Thailand

Grain and Feed

Grain Update

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Report Highlights:

MY 2008/09 rice production is on track but prices continue to decline. Meanwhile, corn production is revised up in anticipation of better-than-expected crop harvest. Despite the ongoing global economic slowdown, domestic demand for feed grain remains strong, particularly in the poultry sector. However, Thai corn export is losing its competitiveness to relatively cheaper Indian corn. The U.S. economic slowdown may lower Thai shrimp exports, which would soften demand for wheat flour as a shrimp feed ingredient. However, wheat grain imports are expected to recover from the previous year as bakery and noodle consumption continues to rise.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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1. Rice: Flooding damage insignificant

MY 2008/09 rice harvest began with anticipated higher production as flooded damage was insignificant. Flooding has receded in most agricultural areas with only marginal damage. The Office of Agricultural Economic (OAE) estimated total damaged areas at 0.5 million rai (0.08 million hectares), accounting for 16 percent of total flooded areas.

Table: Impact of Flooding on Crop (as of Oct. 10, 2008)

Unit: Hectare

Crops	Flooded Area	Damaged Area
Rice	411,250	68,592
Field Crops	107,151	18,174
Others	12,255	706
Total	530,655	87,471

Source: Office of Agricultural Economics, Ministry of Agricultural and Cooperative

Post's estimates MY2008/09 rice production will remain unchanged from the previous forecasts ([TH8147](#)). The marginal flood damage is expected to be totally offset by average yield improvements, particularly in the northeast which is major growing areas

for fragrant rice. Average yields are reportedly higher than expected, up by 10 percent in some areas of the lower northeast. Also, replanting in irrigated areas is anticipated which accounts for around 17 percent of total main-crop growing areas.

MY 2008/09 rice exports are expected to be lower than the previous year in anticipation of strong competition major exporters' exportable supplies, particularly in Vietnam and India. Also, export prices will likely drop significantly due to continued price competition from Vietnam and India. Presently, Vietnamese rice prices are offered below \$400/MT for premium white rice which, which is around \$200/MT lower than Thai rice prices.

The MY2008/09 main-crop intervention program will begin on November 1, 2008 with a target of 8.0 million tons of paddy valued at nearly 100 billion baht (\$2.9 billion) ([TH8165](#)). The intervention prices are finalized at 10,800 – 12,000 baht/ton of paddy (\$312-\$347/MT) for white rice paddy, which is still 30 percent higher than market prices. The program will likely attract more rice to the government stocks. Carry-over intervention stocks are presently at record 4.8 million tons, of which 2.1 million tons are old-crop intervention stocks, and the rest are MY2007/08 intervention stocks. The government will likely liquidate a portion of these carry-over stocks which could dampen domestic prices although the release will be for export as global prices are on downward trend.

2. Corn: Higher production with on track domestic demand but exports at risk

MY 2008/09 corn production is also marginally affected by flooding. Corn production should remain higher than the previous year due to better-than-expected yields. Anticipated yield improvements for off-season crops are expected to exceed flood damage. MY 2008/09 off-season corn production is estimated to increase significantly following acreage expansion and yield improvements.

Current corn prices have dropped by 25 percent from record 9-10 baht/kg (\$284/MT) in July 2008. As a result, the Government will implement a corn intervention program to stabilize domestic corn prices during November 1 – February 28, 2009. Intervention prices are set at 8.50

baht/kg. (14.5 percent moisture content) with a target of 500,000 tons. Farmers will be able to redeem their corn within 90 days under a 3 percent interest rate. The Government also suspended the preferential treatment received by corn from neighboring countries (Lao, Cambodia, and Burma) under the Joint Economic Cooperation Strategy Program, or Ayeyawady-Chao Praya-Mekong Economic Cooperation Strategy (ACMECS). ACMECS is an economic cooperation agreement between Burma, Laos, Cambodia, Vietnam, and Thailand which allowed corn to come into Thailand from neighboring countries in an unlimited amount at zero percent tariff.

MY 2008/09 feed corn consumption will likely remain steady in line with swine and poultry production. Despite the anticipated global economic recession, poultry product exports are expected to continue increasing to Europe and Japan, particularly for frozen chicken meat, fueled by the food safety concerns on Chinese food products.

MY 2008/09 corn exports are revised downward but still higher than the previous year. Corn export growth will likely slow down in anticipation of strong competition from relatively cheaper Indian and Brazil corn. The relaxation of India's corn export ban since October 2008 has slowed Thai corn export prospects in Malaysia and Indonesia which account for 50-60 percent of total corn exports. Indian corn export prices are currently \$10-\$15/MT cheaper than Thai corn. Also, the import ban on corn from ACMECS countries will likely limit Thai corn exportable supplies, but only during the cessation of the agreement, November – December 2008.

3. Wheat: Imports lower than expected due to wheat flour contraction

MY2008/09 total wheat imports will likely increase by 5 percent, a slowdown from the previous forecast of 15 percent ([TH8048](#)), in anticipation of a drop in wheat flour imports. However, wheat grain imports are forecast to register growth of around 10 percent due to growing domestic consumption of bakery products and instant noodle. Locally produced wheat flour prices are expected to be more competitive to imported wheat flour following lower global wheat grain prices. However, imports of U.S. wheat grain are expected to decline by 2-5 percent as Australian supplies are expected to return to the Thai market. Australian wheat prices have reportedly fallen below U.S. wheat, particularly for low-protein wheat. Meanwhile, wheat flour imports will likely drop due to weaker demand for wheat in feed use, particularly in shrimp cultivation. Frozen shrimp exports are expected to be adversely affected by the economic downturn in the U.S, which accounts for 50-60 percent of total frozen shrimp exports.

Statistic Tables

Table 1: Thailand's Production, Supply and Demand for Rice

Rice, Milled Thailand	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	10270	10270	10270	10600	10600	10600	10700	10700	10700
Beginning Stocks	3594	3594	3594	2512	2512	2512	2219	2219	2219
Milled Production	18250	18250	18250	19300	19300	19300	19500	19500	19500
Rough Production	27652	27652	27652	29242	29242	29242	29545	29545	29545
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600	6600	6600	6600
MY Imports	5	5	5	7	7	7	8	8	8
TY Imports	5	5	5	7	7	7	8	8	8
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	21849	21849	21849	21819	21819	21819	21727	21727	21727
MY Exports	9557	9557	9557	10000	10000	10000	9500	9000	9000
TY Exports	9557	9557	9557	10000	10000	10000	9500	9000	9000
Total Consumption	9780	9780	9780	9600	9600	9600	9500	9500	9500
Ending Stocks	2512	2512	2512	2219	2219	2219	2727	3227	3227
Total Distribution	21849	21849	21849	21819	21819	21819	21727	21727	21727

Table 2: Thailand's Production, Supply and Demand for Corn

Corn Thailand	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	1000	1000	1000	1000	1000	1000	1010	1020	1020
Beginning Stocks	335	335	335	286	286	286	148	148	148
Production	3800	3800	3800	3850	3850	3850	3950	4000	4100
MY Imports	300	300	300	400	400	400	600	600	600
TY Imports	300	300	300	400	400	400	600	600	600
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	4435	4435	4435	4536	4536	4536	4698	4748	4848
MY Exports	349	349	349	488	488	488	500	550	510
TY Exports	442	442	442	600	610	610	500	650	640
Feed Consumption	3700	3700	3700	3800	3800	3800	4000	3900	3900
FSI Consumption	100	100	100	100	100	100	100	100	100
Total Consumption	3800	3800	3800	3900	3900	3900	4100	4000	4000
Ending Stocks	286	286	286	148	148	148	98	198	338
Total Distribution	4435	4435	4435	4536	4536	4536	4698	4748	4848

Table 3: Thailand's Production, Supply and Demand for Wheat

Wheat	Thailand	2006			2007			2008		
		2006/2007			2007/2008			2008/2009		
		Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
		Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
				Data			Data			Data
Area Harvested		0	0	0	0	0	0	0	0	0
Beginning Stocks		447	447	447	336	481	481	179	271	352
Production		0	0	0	0	0	0	0	0	0
MY Imports		1131	1176	1176	1064	950	1044	1350	1100	1100
TY Imports		1131	1176	1176	1064	950	1044	1350	1100	1100
TY Imp. from U.S.		428	499	499	412	400	399	0	450	390
Total Supply		1578	1623	1623	1400	1431	1525	1529	1371	1452
MY Exports		112	12	12	141	20	13	100	25	15
TY Exports		112	12	12	141	20	13	100	25	15
Feed Consumption		300	300	300	270	290	310	350	290	290
FSI Consumption		830	830	830	810	850	850	850	870	865
Total Consumption		1130	1130	1130	1080	1140	1160	1200	1160	1155
Ending Stocks		336	481	481	179	271	352	229	186	282
Total Distribution		1578	1623	1623	1400	1431	1525	1529	1371	1452

End of Report